

## Details of the President's Proposed Deficit Reduction Plan

President Obama proposed a broad deficit reduction plan that would reduce government borrowing by about \$3.2 trillion over a decade, beyond the \$1.2 trillion that the joint deficit reduction committee is charged with funding and almost \$500 billion in savings to offset the cost of his jobs proposal. New proposals include: \$580 billion from mandatory programs, most of which would come from Medicare and Medicaid; almost \$1.6 trillion in tax increases; and almost \$1.1 trillion by accounting for expected savings from reduced war costs.

### Health Program Savings: \$320 billion

#### Medicare: \$248 billion

- Reduce payments to drug makers to the level paid by Medicaid **\$135 billion**
- Adjust payments for nursing homes and rehabilitation facilities that provide post-acute patient care **\$42 billion**
- Increase by 15 percent premiums for both physician and drug benefits that are tied to income levels and apply these premiums to 25 percent of beneficiaries **\$20 billion**
- Reduce reimbursements to providers resulting from beneficiaries' non-payment of deductibles and copayments **\$20 billion**
- Reduce waste, fraud, and improper payments **\$5 billion**

#### Medicaid: \$65 billion

- Limit state taxes on providers and, as a result, reduce the federal matching contribution **\$26 billion**
- Apply a single matching rate for each state for Medicaid and the Children's Health Insurance Program **\$15 billion**
- Include Social Security benefits in calculation of eligibility **\$15 billion**

## **Other Mandatory Savings: \$250 billion**

### **Agriculture: \$33 billion**

- Eliminate direct payments to producers and reduce crop insurance subsidies **\$31 billion**
- Limit conservation spending to target the most cost-effective and environmentally beneficial programs **\$2 billion**

### **Federal employee benefit programs: \$43 billion**

- Increase employee contribution to retirement accounts **\$21 billion**
- Increase pharmacy co-payments for the military Tricare health program **\$15 billion**
- Initiate annual premiums for the Tricare Medigap program **\$7 billion**

### **General government operations: \$92 billion**

- Increase mortgage guarantee fees charged by Fannie Mae and Freddie Mac **\$28 billion**
- Increase aviation fees for passenger security and air traffic control services **\$26 billion**
- Provide short-term relief for the U.S. Postal Service's financial shortfall and authorize reduced delivery schedules and other cost-saving steps **\$19 billion**
- Allow the Pension Benefit Guaranty Corporation to raise premiums **\$16 billion**
- Phase out some premium subsidies for the National Flood Insurance Programs **\$4 billion**

### **Program integrity: \$78 billion**

- Grant states short-term debt relief for their unemployment insurance funds and raise the wage base for unemployment taxes, giving states flexibility on their tax rates **\$33 billion**
- Assess a fee on the largest financial institutions to reimburse taxpayers for recent bailouts **\$30 billion**
- Strengthen IRS enforcement **\$3 billion**
- Improve collection of pension information from states and localities **\$3 billion**
- Strengthen Treasury debt collection **\$1 billion**

## Tax Increases: \$1.57 trillion

- Allow the 2001 and 2003 tax cuts for those making more than \$250,000 a year to expire at the end of 2012 **\$866 billion**
- Limit deductions and exclusions for those making more than \$250,000 a year. **\$410 billion**
- Overhaul taxation of foreign income **\$113 billion**
- Repeal the last-in, first-out method of accounting for inventories **\$52 billion**
- Eliminate some oil and natural gas tax breaks **\$41 billion**
- Reinstate Superfund toxic waste cleanup program taxes **\$19 billion**
- Tax “carried interest” earnings as ordinary income rather than as capital gains **\$13 billion**
- Make permanent the 0.8 percent federal unemployment insurance tax **\$8 billion**
- Eliminate special depreciation rules for corporate jets **\$5 billion**

## Overseas Contingency Operations Savings: \$1.08 trillion

- Cap spending for war costs of the next decade as U.S. forces are drawn down in Afghanistan and the U.S. role in Iraq is further reduced by a transition to a State Department-led operation **\$1.08 trillion**